

## **Permanent Extension of TCJA Provisions**

What changed:

- Reduced tax rates from the 2017 TCJA made permanent; top rate remains 37%, brackets indexed for inflation.
- Standard Deduction made permanent and increased to \$15,750 (\$31,500 MFJ) for 2025.
- Child Tax Credit made permanent and increased to \$2,200 for 2025.

What it means:

- The permanency of these provisions should provide helpful clarity for tax planning.
  - However, keep in mind that “permanent” simply means that the tax provisions have no stated expiration date. It is still possible that lawmakers could make changes to them in the future.
- Absent planned changes to taxable income, taxpayers no longer will be looking at planning strategies to accelerate income into 2025 as the previously expected rate increases will no longer take effect.
- Taxpayers who have not been itemizing will likely continue to claim the Standard Deduction.
- Many taxpayers should see a higher refund given the increase in both the standard deduction and child tax credit.

## **Estate and Gift Tax Exemptions**

What changed:

- The estate and gift tax exemption, increased in the 2017 TCJA, was made permanent and increased to \$15,000,000 per decedent for 2026 (to be indexed for inflation going forward).

What it means:

- A permanent estate tax exemption reduces the complications for most households and provides planning clarity for those households subject to the estate tax.

## **New Deduction for Seniors**

What changed:

- Additional \$6,000 deduction for taxpayers age 65+, regardless of itemization.
- Phaseout begins at \$75K AGI (\$150K MFJ); expires after 2028. The deduction is fully phased out at \$175,000 for single filers (\$250,000 MFJ).

What it means:

- A married couple with both taxpayers over the age of 65 would see a total additional deduction of \$12,000. This would be added to their standard deduction for a total of \$43,500 in 2025.
- While Social Security benefits did not end up tax-exempt, the new senior deduction provides a tax cut for a significant proportion for seniors.

## **State and Local Tax (SALT) Cap**

What changed:

- Deduction cap increased from \$10,000 to \$40,000; reverts back to \$10,000 in 2030.
- The deduction begins to reduce by 30% of excess modified AGI over \$500,000 (\$250,000 MFS) and is completely phased back down to \$10,000 for taxpayers with income over \$600,000.
- The phase-out cannot reduce the deduction below \$10,000.

What it means:

- May enable some taxpayers to itemize again; potential for ‘bunching’ deductions.
- High SALT payers who’ve been using pass-through business entities (S Corps & Partnerships) to avoid this limit should evaluate if this still makes sense.

## **Other Itemized Deductions**

What changed:

- Charitable contributions are now subject to a new 0.5% of AGI before taxpayers can claim an itemized deduction for charitable giving.
- The OBBBA also makes permanent other changes to itemized deductions first introduced by TCJA, such as the tighter limit on home mortgage interest deductions and elimination of most miscellaneous itemized deductions.
- The law also introduces a new limitation on itemized deductions, limiting the value of the deductions to 35 cents on the dollar for taxpayers in the top bracket.

What it means:

- The new 0.5% floor for charitable giving reduces the value of the itemized charitable deduction. This includes both cash and non-cash charitable giving.
- Overall, the permanency of the TCJA changes to itemized deductions continues to limit the availability and value of the effected itemized deductions.

## **Trump Accounts**

What changed:

- Starting in 2026, parents can open a Trump Account for any child under age 18. These accounts are treated similarly to traditional IRAs.
- Children born between 2025 and 2028, are eligible for a one-time \$1,000 government contribution.
- Families can contribute up to \$5,000 per year (indexed for inflation starting in 2028)
- Employers can contribute up to \$2,500 tax-free to employee accounts.
- No contributions of any source are allowed after the child turns 18.

What it means:

- Only children under 18 are eligible, and contributions must begin within the designated timeframe.
- Early planning maximizes growth potential.
- Before age 59 1/2, tax free withdrawals are allowed for higher education (unlimited), home purchases (up to \$10,000), and business startups. Non-exempt withdrawals are penalized and taxed as ordinary income.
- Taxed at ordinary income rates if non-exempt withdrawal after 59 1/2.
- Investments restricted to diversified U.S. equity index funds.
- Compare with Roth IRA or 529 plan for suitability.

## **529 Plans**

What changed:

- Expanded to cover K-12 expenses including tutoring, testing, homeschooling.
- Permanent rollover to ABLE accounts (Account designed for eligible individuals with disabilities).

What it means:

- More attractive for young families.
- Reminder: Contributions are after-tax (i.e. not tax deductible). However, depending on your state of residency, a state tax deduction may be available.

## **Farmland Capital Gains**

What changed:

- Farmers may elect to pay capital gains tax over 4 years for sales after July 4, 2025, beginning with the tax year in which the sale occurs.

What it means:

- Model tax impact of installment vs. lump-sum payment.

## **No Tax on Tips**

What changed:

- \$25,000 of voluntary tips deductible; must be reported on W-2, and will still be subject to payroll taxes.
- Available to itemizers and non-itemizers.
- Phaseout starts at \$150K AGI (\$300K MFJ); in effect for tax year 2025, expires after 2028.

What it means:

- The IRS has yet to provide additional guidance in light of the new law.
- The act instructs the IRS to update the applicable income tax withholding procedures and tax forms to reflect this new deduction and required occupation listing.
- This deduction has no effect on Social Security and Medicare taxes.
- Adjust withholdings on non-taxed tips.
- Employers must consider strategy for non-voluntary tips.

## **No Tax on Overtime**

What changed:

- \$12,500 deduction for overtime wages; must be reported on W-2 and still subject to payroll taxes.
- Qualified tips excluded; phaseout starts at \$150K AGI (\$300K MFJ).
- Only the 0.5 “premium” portion of time and a half is eligible for the deduction.
- The deduction is allowed for itemizers and non-itemizers.
- In effect for tax year 2025 and expires after 2028.

What it means:

- The IRS has yet to provide additional guidance in light of the new law.
- The act instructs the IRS to update the applicable income tax withholding procedures and tax forms to reflect this new deduction.
- Adjust withholdings on non-taxed overtime.
- Evaluate eligibility for deduction.
- This deduction has no effect on Social Security and Medicare taxes.
- The temporary tax deductions for tips and overtime provide opportunities to restructure compensation policies to maximize employees’ nontaxed income.

## **Green New Deal Subsidies**

What changed:

- Energy credits/subsidies expire starting Sept 30, 2025, compared to expiring in 2032-2034.
  - The Clean Vehicle and Used Clean Vehicle Credit (\$4,000 used, \$7,500 new) expires Sept 30, 2025.
  - Energy Efficient Home Improvement Credit (Section 25C) expires Dec 31, 2025.
  - Residential Clean Energy Credit (Section 25D) expires Dec 31, 2025.

What it means:

- Plan electric vehicle and energy efficient home improvement purchases before expiration dates.

## **Non-Itemized Charitable Deduction**

What changed:

- Beginning in 2026, a \$1,000 charitable contribution (\$2,000 for MFJ) is allowed for all taxpayers, whether they itemize or not.

What it means:

- This deduction is available to a much larger group of taxpayers who do not itemize. While also still being available to itemizers.
- Similar to the temporary charitable deduction that was available during COVID.
- Keep receipts to support deduction if not itemizing.

## **Wagering Losses**

What changed:

- Starting in 2026, only 90% of wagering losses can offset wagering income.

What it means:

- You may owe tax on gambling income even if you break even overall.
- Track all wins and losses carefully.
- Efforts to reverse this rule are ongoing, but it's currently set for 2026.

## **Alternative Minimum Tax (AMT)**

What changed:

- TCJA AMT exemptions are permanently extended.
- Starting in 2026:
  - Phaseout threshold drops to \$500K (single) / \$1M (MFJ).
  - Phaseout rate increases from 25% to 50%.

What it means:

- More taxpayers may face AMT.
- Talk to your tax advisor if you're at risk.